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June 10, 2008

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Policy on Payments System Risk; Daylight Overdraft Posting Rules
Docket No. OP-1310

Dear Ms. Johnson:

Silverton Bank, N.A.¹ (Silverton Bank) appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (the Board) proposal to change the posting time for commercial and government automated clearinghouse (ACH) debit transfers that are processed by the Federal Reserve Bank's FedACH service.

Overview of Silverton Bank's Comments

While we understand the Federal Reserve System's role in monitoring intraday liquidity and managing risk in financial markets and the payments system, Silverton Bank urges the Board to carefully evaluate the proposal's impact on settlement aggregators, bankers banks, and corporate credit unions who settle for thousands of small community financial institutions. We are concerned this proposal will adversely affect Receiving Depository Financial Institutions (RDFIs) (community banks, settlement aggregators, bankers banks) receiving large ACH debits and, therefore, starting the day in a negative position. In order to alleviate this issue, these financial institutions would require large end-of-day positions potentially limiting overnight

¹ Silverton Bank, N.A., headquartered in Atlanta, Georgia, is a leading national correspondent bank chartered specifically to serve the needs of community financial institutions across the United States. Our product and service offerings include Clearing/Cash Management, International, Investments and Investment Banking, Card Services, Lending, Consulting and other specialized services through our strategic alliance with Fidelity Information Services and additional business partnerships. Silverton Bank has grown to \$2.6 billion in assets, with over 400 employees, and a customer base of more than 1,500 community financial institutions. Of the 1,500 relationships, Silverton Bank currently executes funds management and settlement, which includes ACH, for 632 of those community bank customers with 50+ more in the pipeline for the remainder of 2008. In addition to the Atlanta support office, regional offices are located in Annapolis, Maryland; Birmingham, Alabama; Charlotte, North Carolina; Chicago, Illinois; Nashville, Tennessee and Tampa, Florida, and loan production offices are located in Cincinnati, Ohio; Denver, Colorado; San Diego, California; San Francisco, California; and Seattle, Washington.

investments in large, upstream money center banks. Based on these concerns, Silverton Bank opposes the proposal to change the ACH debit posting time.

In our role as a settlement aggregator, we accommodate the various payment strategies of our customer banks and support their decisions regarding ACH file processing. These processing options include sending/receiving files directly with the Federal Reserve Bank (Fed), through a processor or with Silverton Bank. However, regardless of the option, ACH settlement is still consolidated into their Silverton Bank account allowing them to take advantage of our automated Federal Funds (Fed Funds) Investment program. In serving the community bank market, we tend to be in a net debit position as it relates to ACH as our customers typically receive a higher volume of ACH debit transfers than they originate.

These processing options present funds management challenges today as we do not have the privilege of examining and knowing the content and dollar value of each of our customer's originated and received files. We have developed some models based on historical data, payment trends and general knowledge of our customers to manage both our overnight position at Fed as well as the investment of our dollars in the overnight Fed Funds market. We do not foresee an issue in managing our position as the overall settlement challenges still exist.

However, our primary concern with the proposed policy is the negative impact this would have on our overnight investments. Under this proposal, changing the posting of ACH debit transfers from 11:00 a.m. ET to 8:30 a.m. ET could require that we maintain larger balances at Fed overnight to cover the large, early morning debits posted to our account or could require us to have our upstream Fed Funds banks return funds earlier in the day. Regardless, it has an impact to our investment yield by either lowering what is available to invest in the Fed Funds market or lowering our overall yield due to the need to have some portion of our funds returned early. The downstream impact of both scenarios is that it affects the rate we pay our 778 Fed Funds customers. In addition, a lower rate could result in a lower revenue stream for this business area potentially impacting other areas of the Bank as well as our over 400 community bank shareholders.

Conclusion

As stated earlier, Silverton Bank is deeply concerned about the potential adverse affect this could have on settlement aggregators and small community financial institutions if implemented as drafted and, therefore, opposes the proposed posting time modifications. Silverton Bank strongly encourages the Board to further study and take appropriate action on the liquidity implications the proposed posting times have on the community bank market.

Again, we appreciate the opportunity to comment on this proposal. For questions regarding our position on this issue, please contact me at (770) 805-2244 or by email at kendres@silvertonbank.com.

Sincerely,



Kellie Endres
Senior Vice President